



# **Budget in Brief**

## **Fiscal Year 2004**



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## I. Summary of Fiscal Year 2004 Internal Revenue Service Budget Request

**Total Budget Request.** For FY 2004, the IRS is requesting resources totaling **\$10.437 Billion and 100,043 FTE**, an increase of \$521 Million, or 5.3% over the President's FY 2003 request.

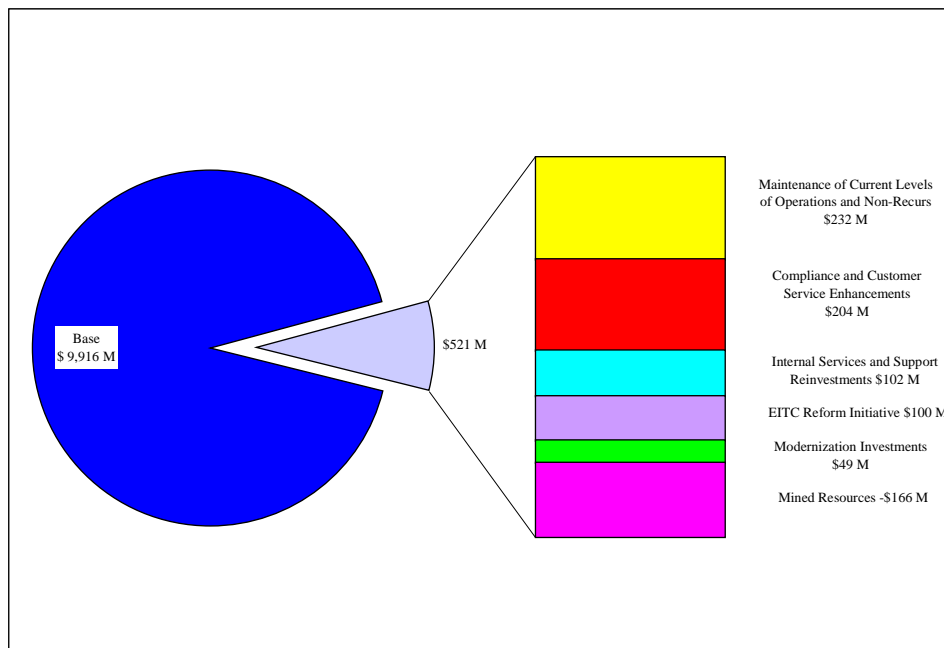
**Budget Increases.** The largest program increase is to strengthen compliance and customer service (\$204 M). The EITC program would increase substantially to fund an administrative program reform (\$100 M). These and other increases are significantly offset through reinvestment of base resources driven by productivity increases.

FY 2004 IRS Budget Request (\$ in Millions)			
<i>Appropriation:</i>	<i>FY 2003*</i>	<i>FY 2004</i>	<i>Difference</i>
Processing, Assistance & Mgmt.	\$3,958	\$4,075	\$117
Tax Law Enforcement	\$3,729	\$3,977	\$248
Information Systems	\$1,633	\$1,670	\$37
Business Systems Modernization	\$380	\$429	\$49
EITC Compliance Initiative	\$146	\$251	\$105
Health Insurance Tax Credit Admin.	\$70	\$35	-\$35
<b>Total Proposed IRS</b>			
<b>Dollars</b>	<b>\$9,916</b>	<b>\$10,437</b>	<b>\$521</b>
<b>FTE</b>	<b>99,155</b>	<b>100,043</b>	<b>888</b>

\* FY 2003 President's Budget Request and Budget Amendment

The budget request has six building blocks:

1. Mined Resources;
2. Compliance and Customer Service Enhancements;
3. Internal Services and Support Reinvestments;
4. EITC Reform Initiative;
5. Modernization Investments; and
6. Maintenance of Current Levels of Operations and Non-Recurs.



### Mined Resources (-\$166 M and -2,145 FTE)

The IRS budget request is based upon key drivers identified through our Strategic Planning, Budgeting and Performance Management process that are directly related to accomplishment of our basic mission. In FY 2004, the IRS will be able to reinvest \$166 million and 2,145 FTE in the form of internal productivity gains. The total high priority needs of \$454 million and 3,033 FTE can be significantly offset by these gains to yield a net operational need of only \$288 million and 888 FTE to enhance program needs.

➤ **Compliance and Customer Service Enhancements (+\$204 M and +2,371 FTE)**

Compliance increases will focus on high income, high-risk taxpayers and businesses as well as abusive schemes and offshore trusts. Examples of enhanced compliance proposals include a compliance initiative that will provide \$67 million and 887 FTE across all major compliance programs that will utilize new workload selection systems and case building approaches coming from ongoing modernization efforts. In addition to increases in Field Examination and Field Collection, program increases are included for the Automated Collections System (ACS) and major Service Center compliance programs. \$24 million and 258 FTE will also be used to increase exam capacity for flow-through entities and corporate transactions. The IRS is heavily involved in the fight against both global and domestic terrorism. Since September 11, 2001, Criminal Investigation has redirected nearly 206 FTE of its direct investigative time to counterterrorism related activities. Customer service enhancements include improved telephone service to SBSE taxpayers.

➤ **Internal Services and Support Reinvestments (+\$102 M and +12 FTE)**

The IRS is requesting funds to annualize rent costs, increase training of AWSS personnel, install web-based applications that promote efficiency, replace hardware and software, and expand Virtual Private Network service. Additional funds are needed for training and to meet mandatory within-grade pay increases.

➤ **EITC Reform Initiative (+\$100 M and 650 FTE)**

The resources requested will allow IRS to implement an integrated approach to EITC administration with the twin goals of ensuring that eligible taxpayers receive the tax credit they deserve (with minimum difficulty), while precluding payments to ineligible taxpayers. Using an integrated approach, the IRS will address potentially erroneous claims before they are accepted for processing and thus before any EITC benefits are paid.

➤ **Modernization Investments (+\$49 M)**

The Business Systems Modernization program will continue as our most important investment necessary to improve service to our customers. Near-term improvements include a secure self-service Internet product for taxpayers to check refund status and fact-of-filing (this improvement is currently being piloted). Another secure Internet product will provide tax practitioners, taxpayers, state tax representatives, and the Department of Education with the ability to perform electronic taxpayer account resolution, Taxpayer Identification Number (TIN) matching, transcript delivery, and disclosure authorization. In the long-term, more accurate and timely data on hand to assistors, more customer friendly collection capabilities, and faster refund processing will enhance customer service.

➤ **Maintenance of Current Levels of Operations and Non-Recurs (+\$232 M)**

➤ **Maintenance of Current Levels of Operations (+\$267 M)**

To maintain current operations, protect the integrity of the filing season, oversee tax administration programs, and continue business systems modernization, the IRS must have the resources to pay for the increased costs associated with statutory pay and other required increases. Consequently, the IRS is requesting \$267 million to fund the estimated cost of non-pay inflation and statutory pay and benefit increases.

➤ Health Insurance Tax Credit Administration (-\$35 M)

In August 2002, the President Signed Public Law 107-210, the Trade Act of 2002, which grants or extends certain trade benefits. Title II of this statute provides a refundable tax credit for the cost of health insurance for certain individuals who receive a trade readjustment allowance or a benefit from the Pension Benefit Guaranty Corporation (PBGC). The tax credit is equal to 65% of the health insurance premium paid by eligible persons to cover themselves and qualifying family members. A total of \$35 million is being non-recurred from the FY 2003 base for Health Insurance Tax Credit Administration. The amount requested in the FY 2003 budget amendment (\$70 million) will be used to provide software, hardware, and contract services to develop the system mandated by Public Law.

## II. Mined Resources

Reengineering projects in Examination, Collection and Compliance Support together with Offers in Compromise Centralization will yield \$26 million and 394 FTE. Two reengineering projects to reduce contractor support costs in end user services and reengineering personnel services support will yield an extra \$25 million and 222 FTE. Another \$23 million will be realized by reducing low value efforts in Computer Centers. In addition, the IRS has chosen to absorb labor cost increases resulting from required within-grade increases and career promotions. All of these and other mined resources from other reengineering projects will be reapplied to higher priority areas. Details of some of these projects are as follows:

### **Compliance Support Re-engineering (-\$25.7 M and -394 FTE)**

- The Examination Reengineering project will continue to review and redesign examination work processes to improve operational efficiency and workload selection and reduce taxpayer burden. This effort will improve the Service's ability to increase the level of reporting and filing compliance, reduce "no-change" rates and focus available resources on cases involving abusive trusts/shelters and complex tax issues.
- Because of important process improvements and centralization from the reengineering of the Compliance Support organization, the new Compliance Support structure will need fewer positions to deliver the specialized support service offerings. This effort is expected to generate resource engineering of 89 FTE in FY 2004. In addition, for FY 2004, productivity gains averaging 1.5 percent will generate reengineering of an additional 95 FTE (75 Revenue Agents and 20 Tax Compliance Officers) from Examination Reengineering.

### **Reduce Contractor Support Costs in End User Services Organization (-\$10.3 M)**

- Changes in the organization and automated tools will allow End User Equipment and Services (EUES) to meet customer demand without contractor support.
- Organizational changes and deployment of new infrastructure will allow EUES to support the e-mail environment utilizing EUES employees and significantly reduce assistance from contractors in maintaining the workstation software image.

### **Improve Submissions Processing Center Efficiency (-\$6.9 M and -203 FTE)**

- IRS will refine the strategy for the decline of paper returns processing as electronic file projection milestones are met by improving efficiency in all processing centers. IRS will identify specific areas where potential reengineering can be achieved. Processing will be reviewed for efficiency through standardization, streamlined policies and procedures, and elimination of unnecessary steps.
- IRS anticipates gain efficiencies in the range of 2 percent. Based on FY 2003 FTE data, IRS projects a potential reengineering of 203 FTE and \$6.9 million in salaries in FY 2004.

**Electronic Filing (-\$6.6 M and -163 FTE)**

- The IRS initiative to increase electronic filing will continue to have a significant impact on Submission Processing centers as Individual Master File (IMF) paper volumes decline. We anticipate reengineering of FTE and salaries from the decreased staffing required to process paper returns in the submissions processing centers.
- Applicable areas in which reengineering will be realized include receiving, sorting, batching, numbering, code and edit, data entry and Error Resolution System sections. IMF paper returns will decrease each year because of the increase in e-filing.

### **III. Compliance and Customer Service Enhancements**

The budget request includes \$204 million, and 2,371 FTE in increased funding to enhance compliance and customer service, particularly for high risk, high-income taxpayers and businesses, and abusive schemes. In addition to increases in Field Examination and Field Collection, program increases are included for the Automated Collections System (ACS) and major Service Center compliance programs. Funds will also be used to increase exam capacity for flow-through entities and corporate transactions. The President's Budget also proposes legislation to allow the IRS to use Private Collection Agencies (PCAs) to support IRS in specific, limited areas. The use of private collection agencies to support IRS collection efforts would enable the Government to obtain payment from these taxpayers and allow the IRS to focus its own enforcement resources on more complex cases. Highlights of these initiatives are described below:

**Address Complex Enforcement Issues (\$66.5 M and 887 FTE)**

- Enables a new approach to combating noncompliance involving organized tax evasion, money laundering, abusive trusts and shelters (including offshore credit cards), special purpose entities, and employment tax schemes.
- Addresses complex enforcement issues associated with high-income individuals who use structured transactions and flow-through entities (e.g., partnerships) to conceal tax liability and avoid payment of taxes.

**Increase Exam Capacity for Flow-Through Entities/Abusive Corporate Transactions (\$24.1 M and 258 FTE)**

- Increases compliance actions on tax shelter promoter activity.
- Improves reporting compliance resources for tax-motivated transactions designed and promoted by sophisticated tax professionals and used by both corporations and wealthy individuals to illegally reduce their taxes.

**Reduce Filing Season Details of Compliance Staff (\$13.7 M and 164 FTE)**

- To meet customer expectations, SBSE compliance staff have been routinely diverted to W&I Field Assistance for answering tax law questions. The resources requested will allow SBSE employees to remain at their posts and work with taxpayers to close out compliance cases.
- This will result in a highly skilled, fully trained Field Assistance workforce. The dedicated Field Assistance staff will provide education and assistance to all taxpayers through a quality work environment.

**Improve Telephone Service to Small Business/Self-Employed Taxpayers (\$11.4 M and 184 FTE)**

- Accounts Management assists taxpayers with a diverse range of issues, including some customized services, provided by a staff focused on issues relevant to the SB/SE community. The total FY 2004 funding request is essential to meet increased FTE requirements resulting from increased Adjustment

volumes, higher-than-expected participation in the Employer Identification Number (EIN) program, and loss of productivity due to shifting employees from Individual Master File (IMF) to Business Master File (BMF) functions.

**Counter Increasing Levels of Fraudulent Returns (\$11.6 M and 185 FTE)**

- The identification and subsequent referral for investigation of fraudulent schemes assures all taxpayers that tax laws are being administered fairly and appropriate actions are being taken to increase compliance. Publicity resulting from the appropriate criminal sanctions further illustrates fair enforcement of the tax laws and increases voluntary compliance.
- Identifying refund crimes assures all taxpayers that a significant number of fraudulent returns based upon false claims are being detected prior to payment.

**Combat Abusive Tax Schemes (\$10.7 M and 125 FTE)**

- A strategy to combat abusive flow-throughs, tax shelters, trust filers, slavery reparation scams, and the participants and promoters of these fraudulent tax practices.
- Funding this program will increase the level of service and products that promote voluntary compliance within the SB/SE community.

**Augment Tax Collection by Reducing Delinquencies (\$6.0 M and 100 FTE)**

- The increase in FTE would result in an estimated additional 13,609 Taxpayer Delinquent Account (TDA) closures and 2,269 Taxpayer Delinquent Investigation (TDI) closures in FY 2004. The TDA closures should result in collection of approximately \$21.5 M. The TDI closures should result in the collection of approximately \$703 K.

**Expand Treaty-Based Exchanges of Information (\$5.0 M and 2 FTE)**

- The exchange of information with such jurisdictions will play a key role in other Treasury and IRS initiatives to combat the use of abusive offshore trust arrangements and other abusive tax avoidance transactions.
- The primary cost of the requests for information is to reimburse foreign governments to research and reproduce the requested information.

## **IV. Modernization Accomplishments and Plans**

IRS investments in modernization through the Business Systems Modernization program and related Tier B project investments enable the IRS to increase productivity in four distinct ways:

- Cost reduction. By automating and eliminating work and thereby freeing up FTE for higher valued work. This occurs chiefly in “back office” operations such as submission processing. Projects that enable increases in electronic filing increase productivity in this manner.
- Cost avoidance. By enabling more work to be done without proportionately increasing FTE or operational costs, when operations are converted to taxpayer self-service, such as with Customer Communications and Internet Refund Fact of Filing (IRFOF) automated refund inquiry.
- Burden reduction. Reducing burden on taxpayers reduces the cost of the tax system. Taxpayers spend more than eight times the IRS budget in time and money to comply with the tax system. Modernization can reduce this burden by making it easier for taxpayers to comply with their tax responsibilities. Examples include Electronic Federal Tax Payment System (EFTPS) Internet service and e-Services Electronic Account Resolution. Another example: Customer Account Data Engine (CADE) will also reduce the taxpayer burden in lost interest by speeding up refunds.

- Increased tax collection. By improving the speed and effectiveness of tax collection activities. For example, the Filing and Payment Compliance BSM project, which will cut tax collection time for overdue accounts from years to months.

This IT modernization program includes several components, the two most significant being the Business System Modernization (BSM) program and “Tier B” projects. Generally, BSM projects create or enable major business process changes, provide significant new technical functionality in support of business change, or form integral components of the modernization architecture. Conversely, Tier B projects are more restricted in scope; they tend to modify existing systems or processes, provide limited changes in functionality and/or bridge the systemic gap between current systems and the modernization architecture. Major initiatives for both types of modernization projects are described below.

### **Business Systems Modernization (BSM)**

The BSM appropriation provides for modernizing IRS-wide business practices and acquiring new technology. The IRS uses a formal methodology to prioritize, approve, fund and evaluate its portfolio of BSM investments. This methodology enforces a documented, repeatable and measurable process for managing investments throughout their life cycle. The IRS Core Business System Executive Steering Committee, chaired by the Commissioner, approves investment decisions. This executive-level oversight ensures that products and projects delivered under the Business Systems Modernization program are fully integrated into IRS Business Units.

### **Achievements and Benefits**

In FY 2002 the BSM Program implemented benefits including a secure online system and system management capability and an initial taxpayer-facing application, Internet Refund/Fact of Filing. In FY 2003 and FY 2004, additional supporting infrastructure services will be added, and an increasing number of business and internal applications will be delivered, creating taxpayer value and enabling internal efficiencies.

The delivery plan for FY 2003 will move the BSM Program into a wide spectrum of critical new areas:

- Customer Account Data Engine (CADE) R1: In July 2003, CADE will begin processing single 1040EZ filers (both electronic and paper). Taxpayers covered under CADE will receive their refunds about 40% faster than under Master File processing. More importantly, we will have taken the first of many steps to replace the 40-year old Master Files.
- Custodial Accounting Project (CAP): We will continue development and testing of CAP Release 1 scheduled for deployment in the first quarter of FY 2004 which will create a repository for modernized Individual Master File data and will address documented financial material weaknesses.
- Enterprise Architecture (EA) and Tax Administration Vision and Strategy (TAVS): TAVS focuses on creating a long-term vision of tax administration processes and building systems that meet the requirements for those processes. Delivery and acceptance of EA Release 2.0 was a significant achievement. We also conducted a planning effort called “TAVS Refresh” to identify gaps and outdated information in TAVS which we plan to address in FY 2003.
- e-Services: e-Services sub-releases will provide the registration of electronic return originators, TIN matching, and initial partner relationship management capabilities, as well as electronic account resolution, transcript delivery, secure e-mail, and bulk TIN matching.



- Infrastructure (STIR and Infrastructure Shared Services (ISS)): This project provides the basic secure infrastructure necessary to support the modernization effort including e-Services R1, IR/FoF, Internet EIN, and subsequent FY 2003 releases.
- Integrated Tax Administration Business Solutions (ITABS): Projects to ensure we understand requirements and select COTS solutions that can effectively integrate business processes in IRS functions.
- Internet EIN: This application will automate the entry of requests for Employer Identification Number (EIN) over the Internet. Currently, the EIN request process is cumbersome and people-intensive, often resulting in unacceptable delays to establishing new businesses.
- Integrated Financial System (IFS): Although the first release of the new financial system will not go live until October 1, 2003 (therefore, an FY 2004 delivery project) it is likely to be our most work-intensive project during FY 2003.
- Modernized e-file: The Modernized e-file project will be in pre-deployment testing for all of FY 2003, with initial deployment in early Calendar 2004, with Forms 1120 and 990 e-file capabilities.

**BSM benefits delivered in FY 2004 will include:**

- Modernized e-file will provide electronic filing for large and medium-sized businesses (Forms 1120 and 990), as well as a new Tax Return Data Base, which will greatly improve customer service and issue resolution.
- e-Services will provide support for the 2004 Filing Season as well as implement support structures for Modernized e-file planned for implementation later in the fiscal year.
- IFS will develop the detailed functional requirements to support internal management requirements for financial and management planning, execution and reporting.
- CAP will provide an integrated enterprise data warehouse to support organizational data needs, performance measurement, and tax operations process improvements.
- CADE will allow for electronic processing of selected Form 1040 Wage & Investment returns with additional taxpayer segments with increasingly more complex tax returns and /or balance due returns.
- ISS will establish a program to build and deliver an agile infrastructure that is scalable, interoperable, flexible, manageable, and features standardized operations and a single security and enterprise systems management framework.

**Tier B Investments**

Tier B projects differ from BSM projects in scope: Tier A projects are IRS-wide and generally have long implementation timeframes, while Tier B projects are owned by a single Operating Division and are of short duration (generally one to three years). Tier B projects are managed according to a formal life cycle methodology to ensure systemic conformity with the overall technical architecture being established by the BSM Program. In fact, because much of the tax administration and internal management functionality from BSM is planned for out-year deployments, many Tier B projects have become integral parts of the BSM release plan. IRS took steps in FY 2002 to further improve the implementation of a comprehensive investment management framework for managing our Tier B investment portfolio. This process is key to ensuring that the investment portfolio adequately addresses our business strategies.

**Achievements and Benefits**

In FY 2002, Tier B Investments allowed electronic capture of tax form images and data, facilitated 90% electronic availability of 1040-related forms and schedules, facilitated electronic case processing for field staff, and enhanced systems for secure dial-in access to current information. Other Tier B projects

centralized case processing from 10 campuses into 2 centers, assisted revenue officers to better answer taxpayer inquiries, reduced the response time for appeals cases, reduced taxpayer contact time, and provided management with better tools to identify examination inventory and workload needs.

**Fiscal Year 2003 Delivery Plan**

Tier B improvement projects funded in FY 2003 will:

- Establish a centralized database system to receive taxpayer appeals case data electronically and reduce the time to respond to taxpayers, and provide appeals case data to the operating divisions.
- Provide a database that tracks the status and progress of taxpayer cases meeting the Taxpayer Advocate Service criteria mandated by RRA98.
- Provide a centralized, automated system for processing Employee Plans (EP) and Exempt Organization (EO) determinations utilizing commercial-off-the-shelf products. The determination letter process is the foundation for all IRS interactions with EP and EO customers.
- Provide computer-based tools to IRS attorneys for preparation and circulation of tax briefs, electronic reference of documents, an interface with US Court systems, and access to secure communication systems within and outside of IRS.
- Provide a system to capture tax examination progress and results, e.g. examination planning data, audit results and timekeeping data.

**Fiscal Year 2004 Delivery Plan**

Tier B improvement projects funded in FY 2004 will:

- Provide an automated proof-of-claim computation and an electronic claim for filing in court.
- Provide an on-line system, available at selected major Taxpayer Assistance Centers, to facilitate workload and resource distribution by screening and categorizing taxpayer needs at the point of registration.
- Provide caseworkers online access to all taxpayer payment data and images processed by IRS systems and deposits at Lockbox banks.
- Provide information to states and support applications to federal agencies in the area of fuel tax compliance. Provide tools for conducting tax research, determining and improving case classification and monitoring Excise programs.
- Establish a web-based centralized database for managing case information for tracking, planning and reporting purposes.
- Record customer calls and provide specific customer feedback based on actual events and improve the overall service to taxpayers.

## **V. Earned Income Tax Credit Compliance Initiative**

The Earned Income Tax Credit benefits millions of low-income workers, but has proven difficult to administer. Despite use of extensive education and outreach, the program has continued to experience high error rates. While the current EITC initiative prevents roughly \$1 billion in erroneous payments annually, it fails to reduce the EITC noncompliance rate to acceptable levels. Consequently, \$100 million in IRS' budget request will be used to carry out an integrated approach to enhancing EITC administration. This approach, suggested by the Department of Treasury EITC Task Force, concludes that EITC claimants must provide further information to the IRS in order to validate eligibility before payment. A major portion

of the request will be used to invest in suitable information technology and develop business processes. The remaining funds will be used to begin certification proposals by identifying and certifying a specific group of claimants. To ensure that each EITC filer claiming a child meets the EITC eligibility requirements before receiving benefits, IRS will implement a certification plan for qualifying child relationship and residency. The IRS will use all of its available data to determine that each EITC filer who is claiming a child meets the EITC relationship requirements -- without requiring any additional actions on the part of the claimant.

This initiative will allow the IRS to systemically certify the “eligible relationship status” of nearly 80% of EITC claimants. The IRS will also use compliance study data and risk analysis to determine which EITC filers claiming children are most likely to meet the residency requirements. Using this information, the IRS will reduce the number of claimants required to certify residency by almost 80%. In circumstances where available data is insufficient to determine whether a claimant meets the qualifying child eligibility requirements (approximately 20% of claimants), the IRS will request additional information from the claimant before the refund is paid. In addition, the IRS will use error detection systems, in combination with historical data, third-party data and limited additional taxpayer information, to detect and freeze refunds with a high risk of filing status errors or a high risk of income misreporting.

## **VI. Impact of Unforeseen Costs on Staffing Levels**

The IRS has made progress in Tier B, BSM, and reinvestment of on-board staff, all of which improve productivity and thereby release staff for high priority tax administration activities. Although increases in staffing have been supported in recent Presidents’ Budgets, that increase has not occurred because of unexpected cost increases. Since the IRS Operations Budget consists of 71% salaries and benefits for staff, any major negative changes in the agency’s financial posture in any fiscal year will have a negative effect on staffing levels, despite efforts to reduce non-labor costs.

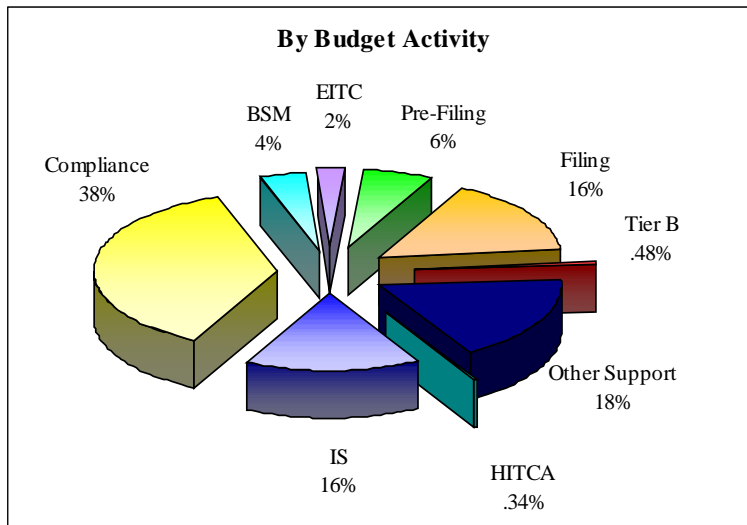
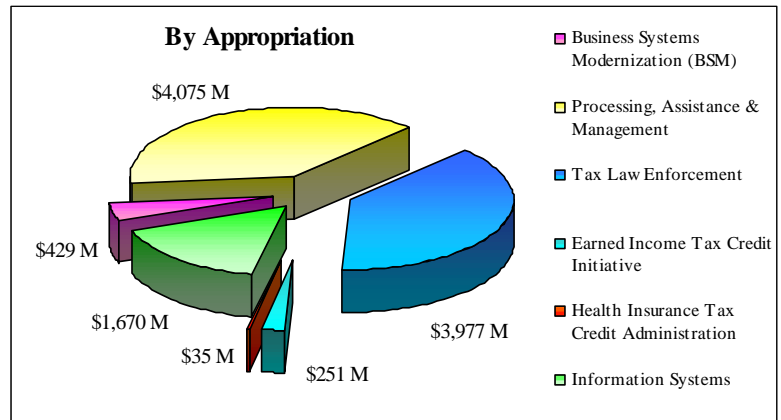
For FY 2003, the President supported a level of performance by the IRS that produced a need (less EITC) of 98,727 FTE. The total FTE for FY 2003 (less EITC) is currently expected to be 96,802. This is 1,925 FTE less than the President’s Request. The following are examples of what drove projected FY 2003 FTE down below the President’s Request by 1,925.

- The unfunded increase in the FY 2002 annual pay raise from the President’s request of 3.6% to the enacted level of 4.6%. (Cost: \$43 million)
- Legislative savings for postage and the FMS payment levy was assumed in the budget, but was not enacted. (Cost: \$23 million).
- Postage increases above initial budget projections (Cost: \$22 million.)
- Unfunded increase in security costs after 9/11: (Cost: \$20 million.)

To put the staffing problem in even greater perspective over time, the current FY 2003 FTE projection is 1,249 FTE less than what was requested in the President’s Budget for FY 2001. It is also important to note that another unfunded pay increase in FY 2003 could total up to \$69 million. This would further reduce the IRS staff level by an estimated 700 FTE. These reductions in staff levels directly affect the IRS ability to deliver on performance projections included in the FY 2003 budget request.

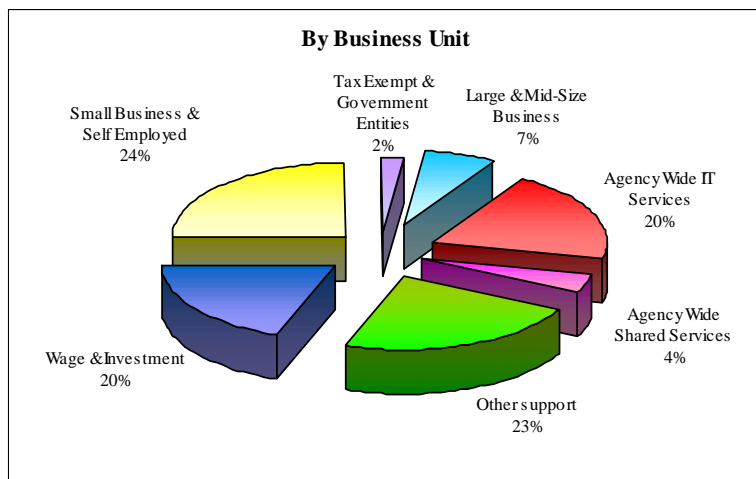
## VII. FY 2004 IRS Funding Request Perspectives

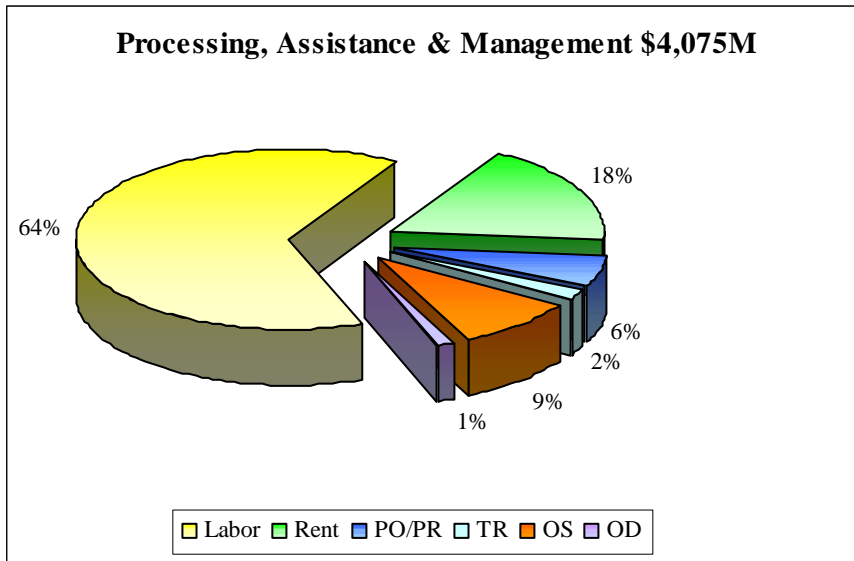
- For FY 2004, the IRS is requesting \$10.437 Billion. The PAM and TLE Appropriations account for 77% of the total budget request.



- The **Compliance** programs account for 38% of the IRS budget and include functions such as Payment Compliance, Field Examinations, and Criminal Investigations.

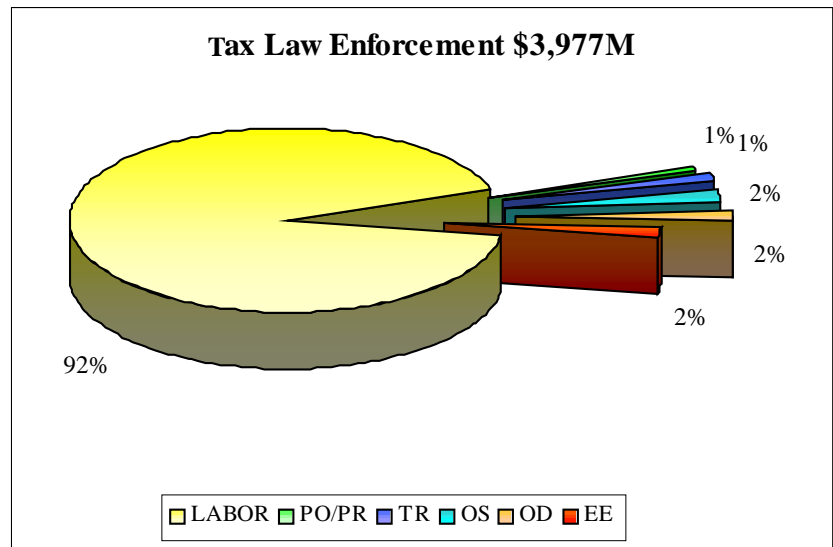
- The Four Major Business Units (Wage & Investment, Small Business/Self-Employed, Tax Exempt & Government Entities, and Large & Mid-Size Business) comprise more than 53% of the IRS Budget (\$5.5 B).

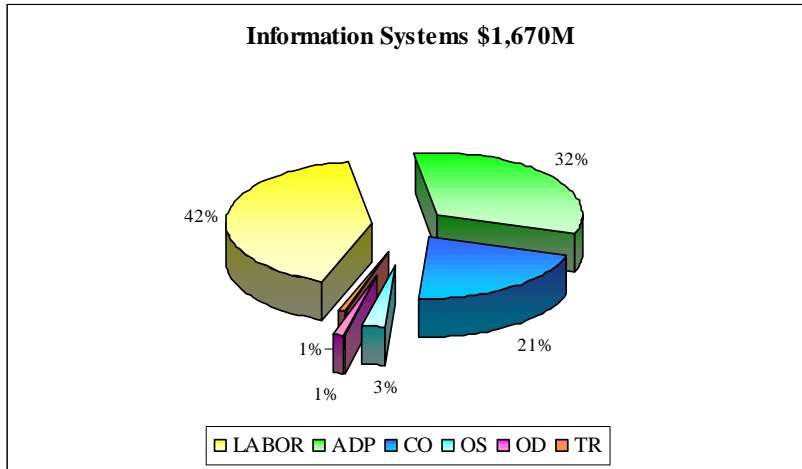




◀ Labor is 64% of the **PAM** appropriation. In addition to staffing, PAM funds rent, space alterations, utilities, postage and printing for the Service.

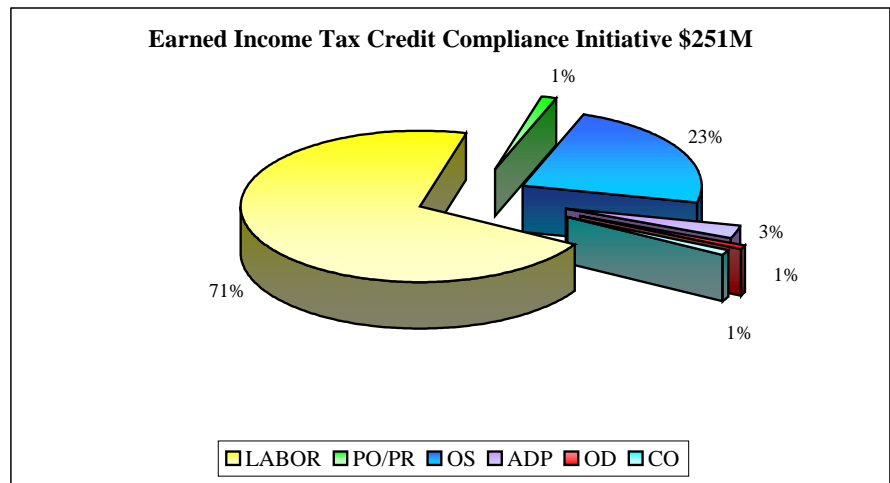
➤ The **TLE** appropriation consists entirely of staffing and related expenses such as travel, training and enforcement expenses.





➤ The **IS** appropriation contains all of the Automatic Data Processing (ADP) and telecommunication resources in the IRS. Other expenses in this appropriation include developmental and operational information systems. ADP services make up 32% and labor 42% of this appropriation.

➤ Labor and other staff costs make up 71% of the **EITC** appropriation.



Abbreviations	
OS	Other Support, which includes Non-ADP equipment and services and support
PO/PR	Postage and Printing
OD	Other Direct costs, which includes moving expenses
TR	Training
EE	Enforcement expenses
CO	Telecommunications

## VIII. IRS Selected Key Program Initiatives

Note: The IRS has 71 Performance Indicators that are available in the FY 2004 Congressional Justification to Congress. This chart depicts a subset of the total.

Performance Plans for FY 2004 and FY 2003 - Performance Reports for FY 2002 Data			
	FY 2002	FY 2003	FY 2004
	Actual	Performance Plan	President's Budget
<b>Budget Authority (\$000s) .....</b>	\$ 9,437,079	\$ 9,915,853	\$ 10,436,541
<b>Direct FTE .....</b>	99,181	99,155	100,043
<b>Mission: Provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.</b>			
<b>Performance Goal A: Provide Assistance to Taxpayers in Understanding Their Tax Responsibilities and Preparing Accurate Returns</b>			
<b>Selected Performance Measures:</b>			
1. EP/EO Determination Letters	129,680	189,000	128,000
2. Advance Pricing Agreements & Negotiated Positions	176	140	160
<b>Performance Goal B: Provide Assistance to Taxpayers in Filing Returns, Receiving Refunds, Making Payments and Resolving Questions about their Accounts</b>			
<b>Selected Performance Measures:</b>			
1. Customer Account Correspondence (m)	22.3	22.6	23.2
2. Teletax and Toll-Free Automated Calls (m)	63.8	50.0	50.0
3. Toll-Free Assistor Calls Answered (m)	30.1	33.7	35.0
4. Toll-Free Customer Satisfaction	56%	56%	57%
5. Toll-Free Level of Service	68.0%	72.0%	73.0%
6. Toll-Free Tax Law Quality	81.0%	86.0%	88.0%
7. Primary Electronic Returns Filed (000)	53,026	61,000	67,600
8. Percent Individual Returns Filed Electronically	36%	41%	44%
9. Customer Satisfaction Walk-In	86%	88%	88%
<b>Performance Goal C: Bring Taxpayers into Compliance with the Law</b>			
<b>Selected Performance Measures:</b>			
1. Individual Returns Examined	750,507	778,000	820,000
2. Business Returns Examined	21,159	18,000	18,000
3. In -Person Examination Customer Satisfaction	47%	52%	53%
4. Taxpayer Delinquent Accounts Closed	1,675,126	1,764,000	1,907,000
5. Tax Delinquent Investigations Closed	331,148	315,000	343,000
6. Total Enforcement Revenue Collected (b)	\$33.8	\$34.8	\$35.2
7. Number of FTEs in Taxpayer Contact Programs (including EITC)	68,243	67,534	69,290